

Ferries Fuel Hedging Update

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Senate Transportation Committee
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Background and Current Status

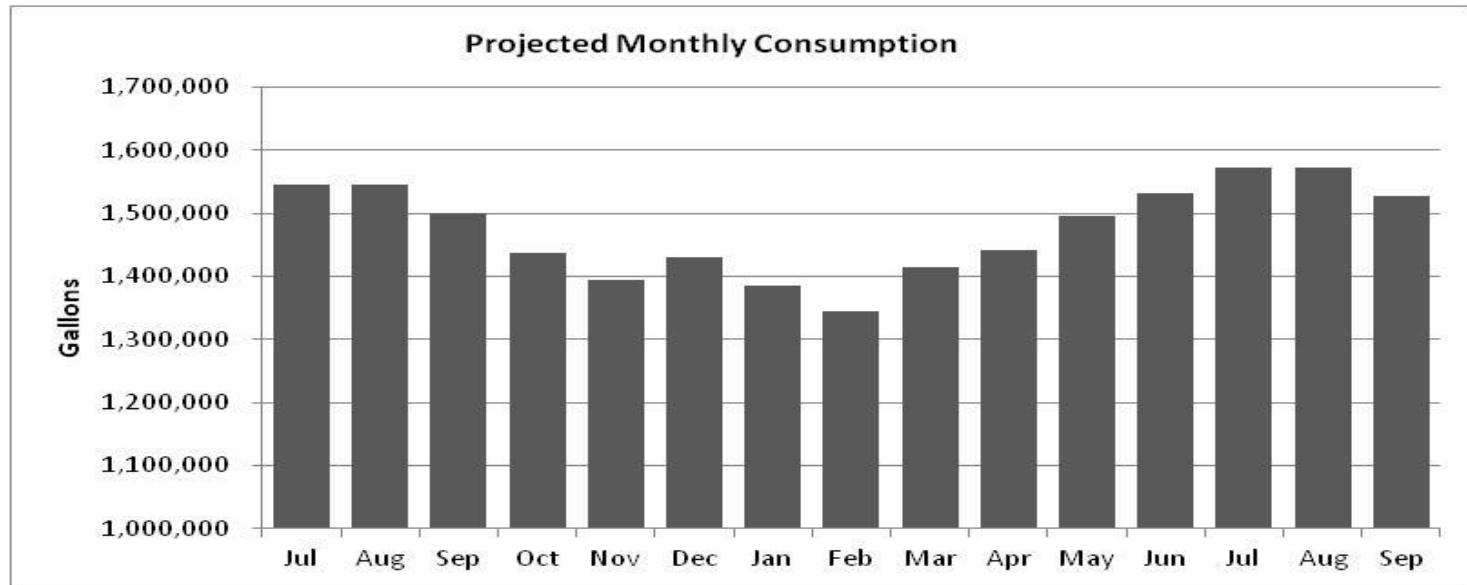
- Fuel hedging approval by Legislature in RCW 47.60.830
- Fuel Cost Mitigation Report, February 2011 update
 - Budgeting improvements
 - Fuel savings
 - Hedging 
 - Fuel Surcharge
- Legislative direction to evaluate cost savings and fuel price stabilization strategies before implementing a surcharge.
- Legislative approval of hedging with WSF distributor in the FY2011-13 Transportation Budget Appropriation.
- Hedging policy adopted, Hedging Committee established in July 2011.

Key Policy Elements

- The purpose of hedging is to achieve budget stability, not necessarily savings.
- Limits on length of contracts: Hedge no more than 95 percent of needs up to 12 months; no more than 80% in months 13 – 24.
- Contracts no more than 24 months duration.

Fuel Consumption

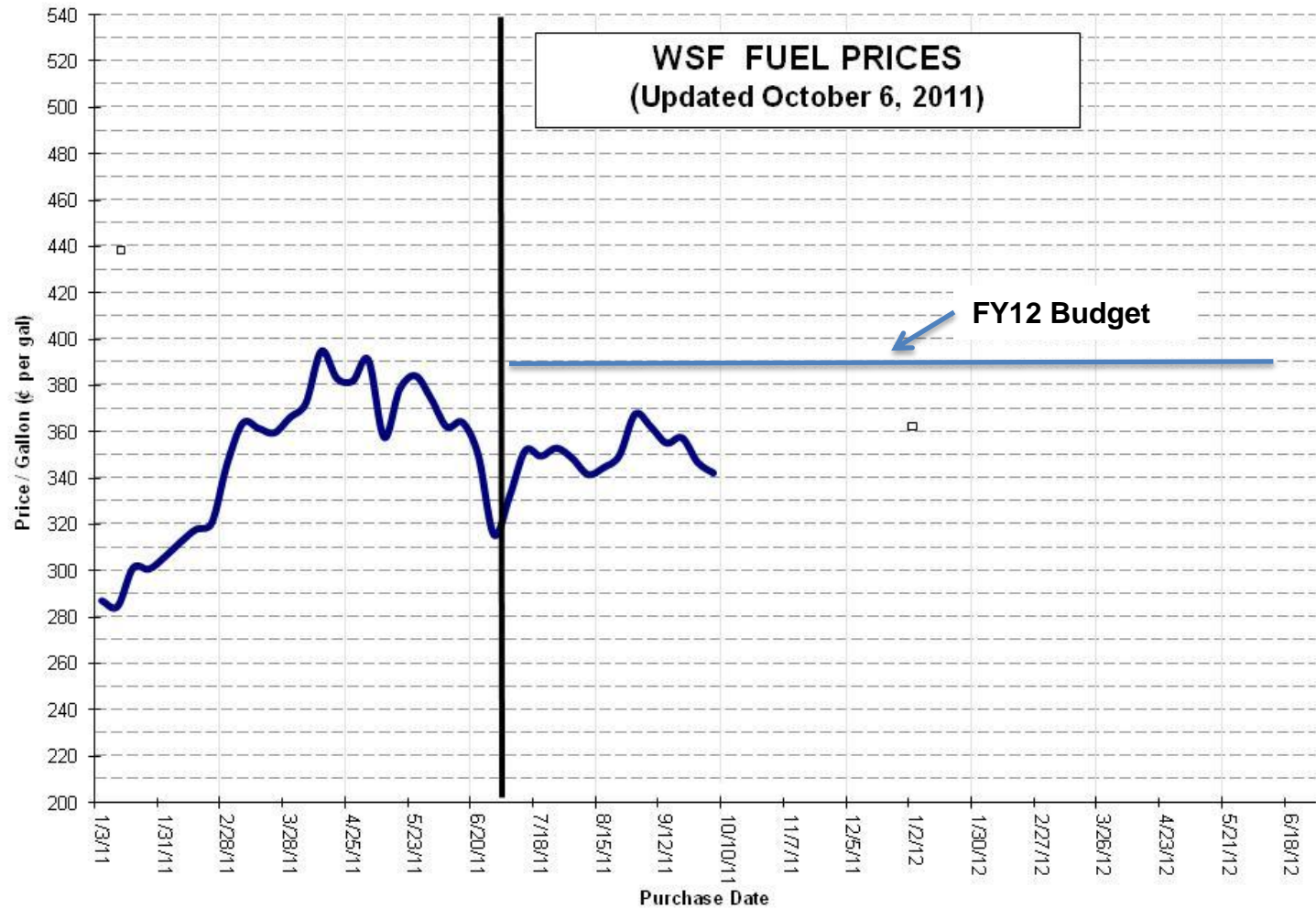
- Projected consumption in FY12 is 17.5 million gallons
- Consumption varies by month according to service schedule



Fuel Budget

- FY12 Fuel Budget = \$67.3 million
 - \$61.3 million for fuel
 - \$6 million for taxes and fees
- Budgeted Price:
 - Before taxes and fees, \$3.51/gallon
 - After taxes and fees, \$3.86/gallon
- Hedge transactions are executed at before-tax price

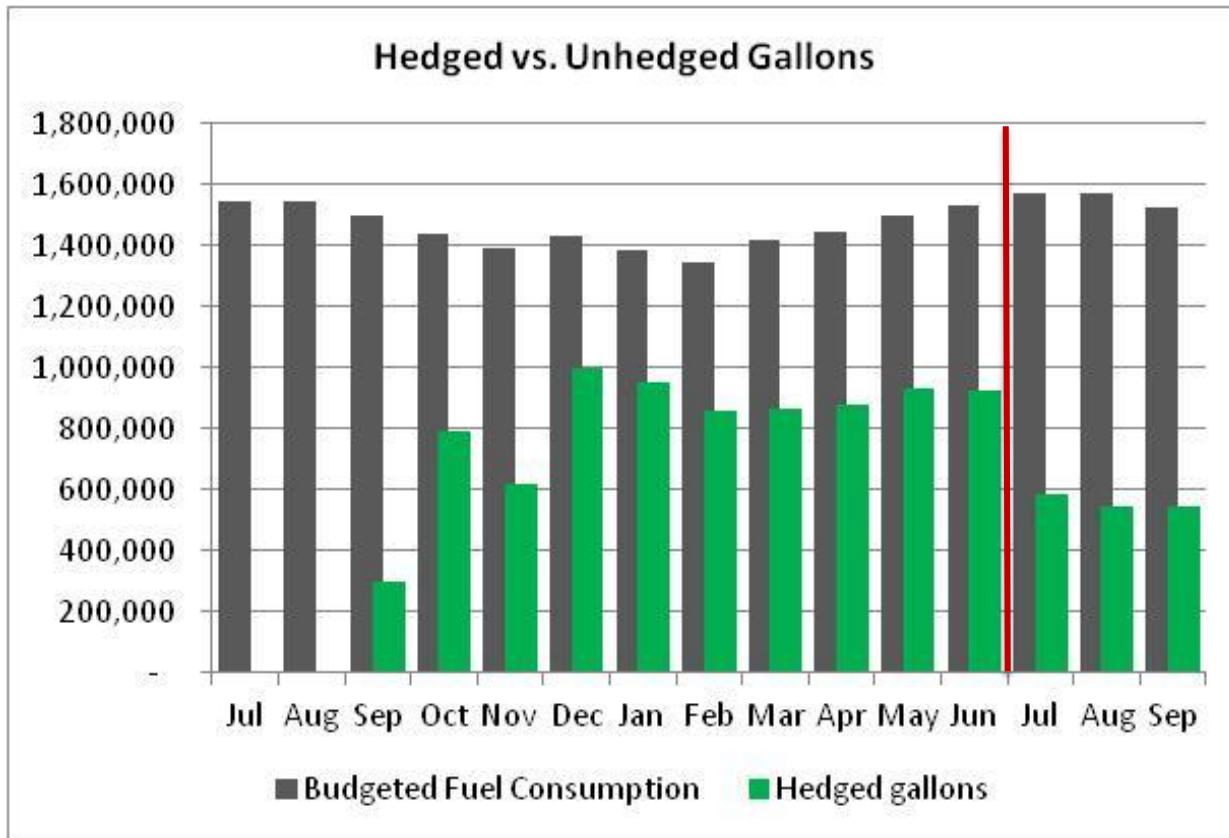
Fuel Prices



Hedged Gallons to Date

8,114,000 gallons – FY12

1,680,000 gallons – FY13



Hedging Results

- 8.1 million gallons for FY12
- 1.7 million gallons for FY13
- 9.8 million gallons for FY11-13

	Gallons	Average Price per Gallon	Savings compared to FY12 Budget	Savings compared to FY13 Budget	Savings compared to 2011-13 Budget
Hedge 1	2,570,000	\$3.227	\$796,101	\$0	\$796,101
Hedge 2	1,428,000	\$3.228	\$334,238	\$138,842	\$473,080
Hedge 3	1,974,000	\$3.248	\$423,775	\$182,692	\$606,467
Hedge 4	1,890,000	\$3.090	\$549,401	\$378,245	\$927,646
Hedge 5	1,932,000	\$3.440	\$149,033	\$0	\$149,033
Total	9,794,000		\$2,252,549	\$699,778	\$2,952,327
Fuel Hedging Advisor Contract			\$42,000	\$50,000	\$92,000
Net Savings compared to Budget			\$2,210,549	\$649,778	\$2,860,327

Implications for Fuel Surcharge

- FY12 savings through November, \$2 million
- The price of unhedged gallons would have to average \$10.00 in December for a surcharge to be imposed on February 1, 2012.
- The price of unhedged gallons would have to average \$6.05 in December through March for a surcharge to be imposed on May 1, 2012.

Questions?

For more information on Ferries Fuel Hedging,
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